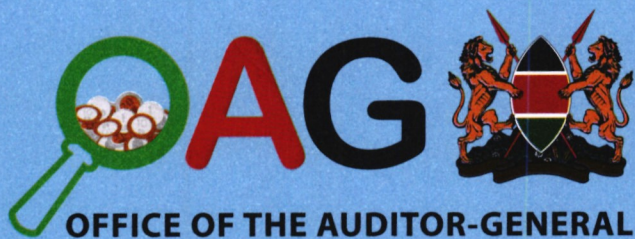


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS L'AID

DATE: 22 FEB 2024

DAY: THURS

MEMBER: Hon Owen Baya, MP  
Deputy leader Majority party

CONSTITUENCY: A. Shikuku



**OF**

**THE AUDITOR-GENERAL**

**ON**

**OCCUPATIONAL SAFETY AND HEALTH  
FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
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20 DEC 2023  
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***OCCUPATIONAL SAFETY AND HEALTH FUND***  
***MINISTRY OF LABOUR & SOCIAL PROTECTION***  
***(STATE DEPARTMENT FOR LABOUR AND SKILLS DEVELOPMENT)***

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE 2023**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International Public  
Sector Accounting Standards (IPSAS)**

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*Occupational Safety and Health Fund*  
**Annual Report and Financial Statements**  
**for the year ended June 30, 2023.**

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## **1. Acronyms, Abbreviations and Glossary of Terms**

### **A: Acronyms and Abbreviations**

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
SDL	State Department for Labour
OSHA	Occupational Safety and Health Act of 2007
NACOSH	National Council for Occupational Safety and Health
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations
OSH	Occupational Safety and Health

## **2. Key OSH Information and Management**

### **(a) Background information**

The State Department for Labour and Skills Development administers Occupational Safety and Health Act (OSHA), 2007 through one of its departments namely, the Directorate of Occupational Safety and Health Services. Section 126 of Occupational Safety and Health Act (OSHA), 2007 provides for establishment of the Occupational Safety and Health Fund. Pursuant to the requirements of the Government Financial Management Act 2004, the Minister for Finance gazetted the Government Financial Management (Occupational Safety and Health Fund) regulations on 11th February 2011 vide legal notice No. 14 of 2011. The state department draws its mandate from the Presidential Executive Order No. 1 of 2023.

### **(b) Principal Activities**

The vision and mission define the principle activities of the State Department for Labour and Skills Development.

**Vision:** A globally competitive workforce and a decent environment.

**Mission:** Develop and implement policies and programmes for a highly productive workforce through creation of a safe working environment, promotion of industrial peace, effective human resource planning and development, social security, productivity promotion and sustainability job creation.

The purpose of the Occupational Safety and Health Fund are anchored in the core functions which include:

- i.** Securing the development and coordination of a sound and effective Occupational Safety and Health (OSH) systems.
- ii.** Implementation of effective systems for prevention of occupational accidents and diseases.
- iii.** Carrying out research on Occupational Safety and Health.
- iv.** Development and dissemination of information on Occupational Safety and Health.
- v.** Promotion of awareness on Occupational Safety and Health among employers, employees and the general public.

### **(c) Key Management**

The *OSH's* day-to-day management is under the following key organs:

- Cabinet Secretary  
Hon. Florence Borre

*Occupational Safety and Health Fund*  
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- Principal Secretary  
Hon. Geoffrey Kaituko
- Secretary-OSH  
Dr. Musa Nyandusi

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	Secretary - OSH	Dr. Musa L Nyandusi
2	Head of Accounts	CPA Paul O. Abade
3	Head of Procurement	Mr. Jones Nyakundi
4	Head of Administration	Mr. Mathenge Wanyitu

**(e) Fiduciary Oversight Arrangements**

**Audit and Finance Committee Activities**

**Audit and Finance Committee Activities**

Section 126 of the Occupational Safety and Health Act, 2007 provides for the Occupational Safety and Health (OSH) Fund. The Fund is under purview of provisions of the Public Financial Management Act and Regulations. The office of the Auditor General in accordance with the auditing calendar, conducts audit on management of the Fund this being a public. The Fund undergoes auditing alongside auditing of the Ministry's financial entities.

**Parliamentary Committee Activities**

The committee of the National Assembly established is implicit in dealing with OSH fund by bearing the responsibility of:

- (a) Monitoring all budgetary matters relating to OSH Fund and reporting the matters to Parliament.
- (b) Monitor adherence of the OSH (Occupational Safety and Health Services) managing OSH Fund to the principles of the public finance, the Constitution 2010 and provisions of Public Management Act, 2012.

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- (c) Examine financial statements and documents in respect of OSH Fund submitted and make recommendations to the National Assembly.
- (d) Providing extension of the management of the OSH Fund at the lapse of period operation of the fund by amending of Government Financial Management (Occupational Safety and Health Fund) Regulations.

**Development Partner Oversight Services**

The National Government OSH In-Charge of OSH Fund has not partnered with any development partner for the sake of OSH Fund.

**Other Oversight Activities**

Section 126(6) requires that the Director of Occupational Safety and Health Services in consultation with NACOSH administers the Occupational Safety and Health Fund. The National Council for Occupational Safety and Health (NACOSH) is established pursuant to section 27 of the Occupational Safety and Health Act, 2007. The Finance, Legal and Communication committee of the NACOSH is established to oversee administration of the OSH Fund.

Policy and legal issues and the financial management of the fund is a role played by this committee. The committee submits quarterly reports about OSH Fund to NACOSH which in turn advises the Cabinet Secretary in charge of the OSH.

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**(f) OSH Headquarters**

The Occupational Safety and Health Fund offices is located at  
Commercial Street, Safety House,  
Industrial Area  
P.O. Box 34120 - 00100,  
Nairobi, Kenya

**(g) OSH Contacts**

Telephone: +254 (020) 2667722  
Email: [doshdept@yahoo.com](mailto:doshdept@yahoo.com)  
[doshdept@labour.go.ke](mailto:doshdept@labour.go.ke)  
Website: [www.labour.go.ke](http://www.labour.go.ke)

**(h) OSH Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Account No.1130057321  
Industrial Area Branch  
Nairobi.

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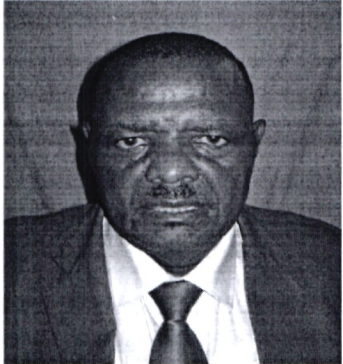
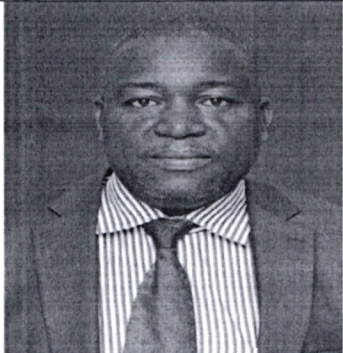

**(i) Independent Auditor**

Auditor-General  
Office of the Auditor General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya


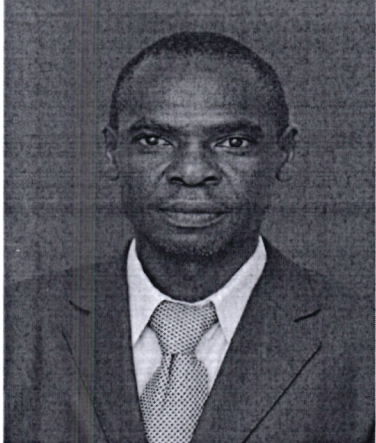
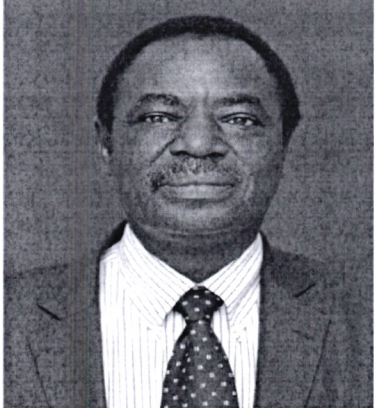
**(j) Principal Legal Adviser**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya




**3. The Board of Directors/Council**

<p><b>Council Chairman</b></p>  <p>Joseph Kanguchu</p>	<p>He has Advanced Diploma in marketing from Randburg Institute in South Africa</p> <p>He has been Chairman of monitoring and evaluation of Mama Lucy Hospital and Chairman Murang'a County Council.</p>
<p><b>Council Members</b></p>	
 <p><b>Dr. Lawrence Guantai</b> TVET</p>	<p>He works with the Ministry of Education, State Department of Vocational and Technical Training. He has PhD Med. Microbial, MSC Med. Microbial, Bed Science, Certificate IV in Assessment &amp; Training and Certificate in Occupational analysis.</p>
 <p><b>Eng. OkangaAnjichi</b> Private Member</p>	<p>He has a B. Tech in Civil and Structural Engineering, NEBOSH IDIP, Professional Engineer (EBK) and Corporate Member of IEK.</p>




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 <p><b>Dr. Mary Onsarigo</b>  <b>NACOSTI</b></p>	<p>She has a PhD in Agricultural Biotechnology from Queensland university of Technology, Australia, Masters Degree in Agricultural Biotechnology from Kenyatta University, Master’s Degree in Information Technology from University of Manchester (UK) and a Bachelor’s Degree in Education Science from Moi University.</p> <p>She is currently an employee of the Kenya National Commission for Science Technology and Innovation.</p>
 <p><b>James Welimo</b>  <b>Government Chemist</b></p>	<p>He works with Government Chemist Department. He has a Bachelor Degree in Science and Chemistry. He is currently engaged in the Forensics Toxicology in the Government Chemist Department.</p>
 <p><b>Charles Owelle</b>  <b>FKE</b></p>	<p>He is Managing Director of Canon Agro Agencies.</p> <p>He has BSc. in Agriculture and MBA in Strategic Management</p>

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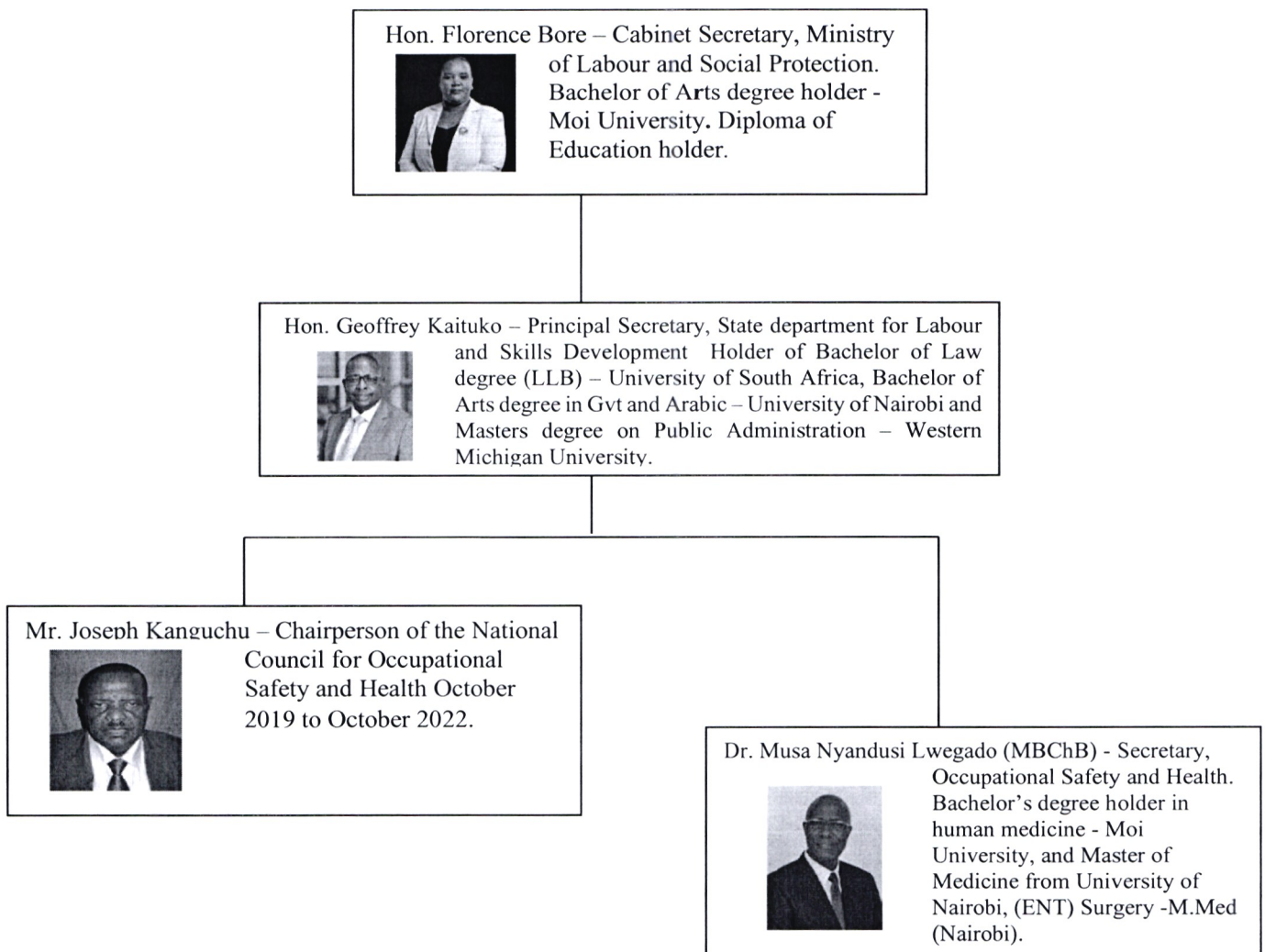
 <p><b>Robert Nderitu, OGW</b> <b>KNBS</b></p>	<p>He is a statistician by profession and has over 20 years' experience in the public service.</p> <p>He holds a Master of Science Degree (Statistics) from Kenyatta University and has expertise in official statistics, strategic management, surveys and censuses implementation and project management.</p> <p>He is a qualified quality management system internal auditor and currently heads a team of champions, implementing the ISO 9001:2015 Quality Management System in the Bureau. He is a member of the Kenya National Statistical Society.</p> <p>Currently, he is the Director in charge of Production Statistics at Kenya National Bureau of Statistics.</p>
 <p><b>Rebecca Okello</b> <b>COTU</b></p>	<p>She holds a degree in Environmental Science from Pwani University.</p> <p>She is currently working at the Central Organization of Trade Union as a program officer under the climate change and environmental program, HIV and AIDS. She is also the Head of Occupational Safety and Health Department.</p>
 <p><b>Robert Orina</b> <b>NEMA</b></p>	<p>He is NEMA Chief Enforcement Officer. Have a Msc. in Land and Water management and BSc. in Agriculture from the University of Nairobi. Currently working as the Ag. Deputy Director Compliance in NEMA. Has a cumulative work experience of 23 years in the Public Sector</p>

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	<p>She has Masters in Business Administration (project management) and BSc. Information Systems and Technology.</p>
<p>Rukia Mohammed  <b>Private Member</b></p>	<p>She holds a Doctor of Philosophy degree in Tropical and Infectious diseases, MSc in Medical Microbiology, Bachelor’s degree in Nursing from University of Nairobi and a certificate in Biostatistics from University of Washington USA</p> <p>She is a member of the Infectious disease Society of Kenya, a registered nurse with Nursing Council of Kenya, a lecturer and Public Health research scientist.</p>
	<p>He has a Bachelor’s Degree of Medicine and Bachelors degree of Surgery (MBCHB) and Master’s Degree of Medicine (MMED) Specializing in Otorhinolaryngology and Head and Neck Surgery.</p> <p>He has a vast experience in occupational health practice and management,</p> <p>He is a board member of The National Industrial Training Authority (NITA)</p> <p>He is also a Board Member National Nuclear Regulatory authority (NNuRA)</p>
<p>Dr. Angeline Chepchirchir  <b>Private Member</b></p>	
<p>Dr. Musa Nyandusi  <b>Secretary-OSH</b></p>	

#### 4. Key Management Team

The Cabinet Secretary, Ministry of Labour and Social Protection is the overall in-charge of the Ministry where the OSH is domiciled. The Principal Secretary, State Department for Labour and Skills Development where the OSH forms a part is the Accounting officer for all the functions of the state department. The National Council for Occupational Safety and Health (NACOSH) consults with the Cabinet Secretary on administration and Management of the Fund. The following leadership structure is apparent.

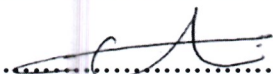


**5. Ag. Chairman’s Statement - NACOSH**

In its wisdom, Parliament enacted Occupational Safety and Health Act (OSHA 2007) which carries the clause that establishes Occupational Safety and Health Fund in section 126. In the same law, the National Council for Occupational Safety and Health (NACOSH) with an advisory role to the Cabinet Secretary, responsible for labour matters on matters of occupational safety and health (OSH) is created under section 27. The council has a further responsibility to approve the work-plan and budget of the Occupational Safety and Health Fund. The role of NACOSH is to provide strategic direction to the Directorate of Occupational Safety and Health Services This strategic direction includes legislative, policy, administration as well as resources mobilization.

In 2011, at the onset of the fund Regulations being operational, Parliament appropriated seed money necessary for the establishment of the fund. Thereafter, collection was made from every registered workplace. Expenditure of the OSH Fund was geared towards securing the development and coordination of a sound and effective occupational safety and health system; implementing an effective system for the prevention of occupational accidents and diseases, ill health and damage to property at workplaces; carrying out research on occupational safety and health, including research on factors leading to occupational accidents and diseases; developing and disseminating information materials, such as safety posters and pamphlets, newsletters and guidance notes on occupational safety and health including the holding of safety exhibitions, and awareness creation opportunities among employers, employees and the general public; and promoting occupational safety and health through the holding of annual safety award events, also known as “World Day for Safety and Health”, for outstanding performance in safety and health among the enterprises and persons employed.

The Directorate of Occupational Safety and Health Services has been collecting the Occupational Safety and Health levy that’s paid into the Fund since the Legal Notice became effective. The amount collected has risen over the years. The fund has been put into use in the procurement of items & services as well as support programmes that are necessary for the Directorate’s service delivery. Courtesy of the OSH Fund, it has been possible to purchase fourteen motor vehicles used in the DOSHS field offices; to procure specialized field equipment used for fieldwork (e.g. noise level meters, air quality measuring equipment); to procure specialized medical equipment (e.g. Audiometers, spirometers); to procure office items (furniture, stationery, computers and other utilities), to support Annual World Day for Safety and Health at Work activities; to fund the monitoring and evaluation exercises of the DOSHS field stations; to fund development and review of OSH legal instruments; to support NACOSH activities including; to support OSH research activities; to support accreditation of competent persons and institutions who conduct approved work activities on behalf of DOSHS; and to fund DOSHS capacity building activities.

  
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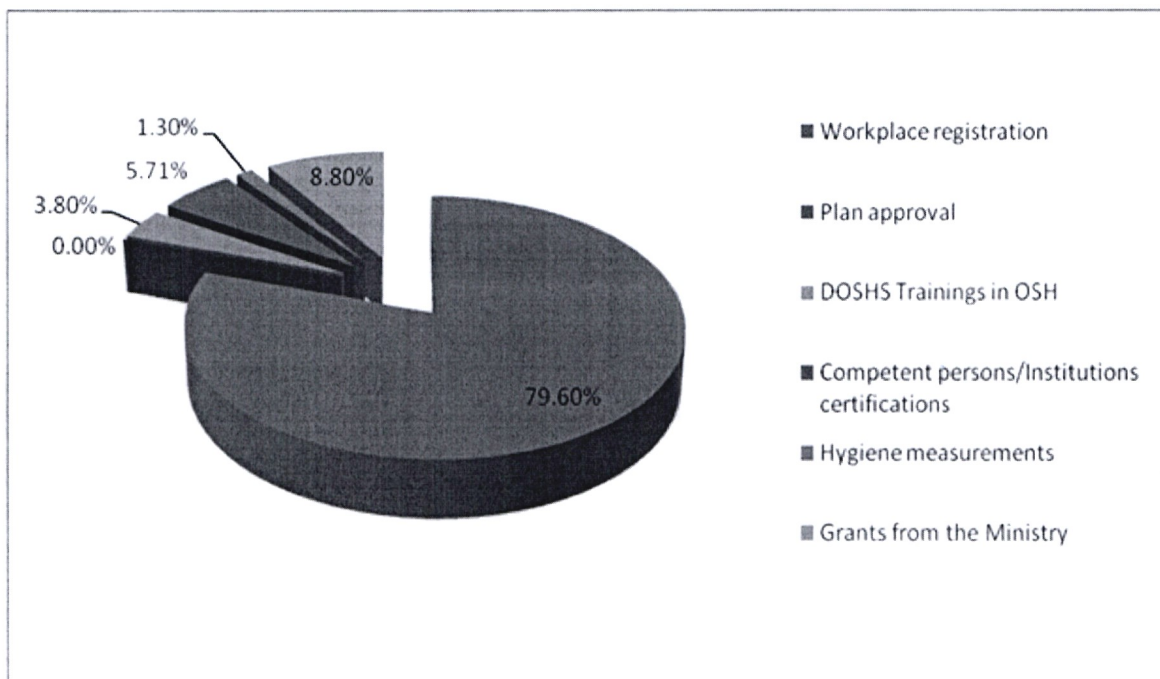
**Eng. Charles Owelle**  
**Ag Chairperson, NACOSH**  
**(FKE Representative)**

## **6. Report of the Secretary OSH**

The Secretary, Occupational Safety & Health (OSH) administers the Fund in consultation with NACOSH. Existing Government financial and procurement regulations and procedures applies in the administration of the Fund.

Occupational Safety and Health Fund is established under Section 126 of OSHA, 2007. The Fund was actualized under section 26 of the Government Financial Management Act, 2004 and the Government Financial Management (Occupational Safety and Health Fund) Regulations, 2011 Legal Notice No, 14. Monies in the fund are Sourced from Parliament appropriation; grants and donations; annual levy charged on all workplaces registered under Occupational Safety and Health Act; and income generated from the proceeds of the Fund. The expenditure on the Fund is on the basis of preparation and approval of annual work programmes and cost estimates by the NACOSH at the beginning of every financial year to which the funds relate. The fund collections have been in the form of fees charged during registration and renewal of workplace certificates, fees for approval of building plans, fees charged for conducting Occupational Safety and Health training for OSH Committees in workplaces, competent persons & institutions registrations and renewal fees in the proportions outlined as hereunder.

### **Proportions of monies paid into OSH Fund**

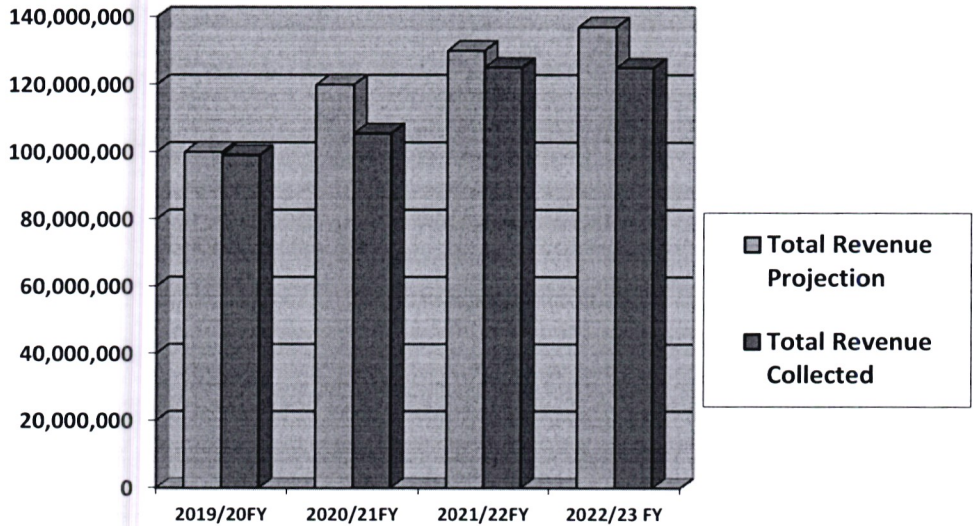


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The following chart summarizes projections and collections made in the past four year three of which were the period of tenure for NACOSH that lapsed in October 2022.

**Total OSH Fund Projection and Revenue collected in the period of 4 years**



Monies from OSH Fund account is utilized in the execution of approved annual work programmes.

For the impact of the Directorate to be felt in the workplace and the economy, OSH Fund revenue needs to significantly grow in order to support ambitious programmes and work plans that builds on the organizational visibility and relevance. Innovative programmes are further required to reach the micro and small enterprises, as well as the informal sector where majority of the Kenyan workers are engaged in.

We are hopeful that moving forward, we shall be able to harness this possibility through increased cooperation with other state agencies and county governments to realise this, especially considering the intention to have the Directorate of Occupational Safety and Health Services expanded to have its footprint in all the counties in the country.

Signed.....  
**Dr. Musa Nyandusi (MBCHB, MMED)**  
**Secretary OSH**

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**7. Statement of Performance against Predetermined Objectives for FY 2022/2023-1**

Management of the OSH Fund follows a five-year Strategic Plan which informs the annual budget and the performance contract and report on the extent of the OSH’s progress in attaining the objectives of the strategy. The objectives of the OSH are enumerated in the Strategic Plan The 2022/23 FY annual work plan is attached.

At the lapse of an annual financial period a report on the targets met those not met challenges and opportunities of the OSH in implementation of its Strategic Plan is made. This report is made in accordance with section 81 (2) (f) of the Public Finance Management Act requires that, at the end of each financial year, the accounting officer when preparing financial statement of each Government OSH. The statement should be in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board which outlines the OSH’s performance against predetermined objectives/targets This statement details the OSH’s financial activities for the 2022/23 FY in the said format.

**Progress on the attainment of Strategic Objectives through Performance Contracting**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide a SWOT analysis for tracking progress on attaining the stated objectives:

<b>Strength</b>	<b>Strategic Implication</b>	<b>Strategic Response</b>
Skilled and competent staff	<ul style="list-style-type: none"> <li>• Efficient and effective service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Motivation and continuous capacity building</li> </ul>
Institutional, legal and policy framework	<ul style="list-style-type: none"> <li>• Conducive environment for implementation of programmes and projects</li> </ul>	<ul style="list-style-type: none"> <li>• Regular review of institutional, legal and policy frameworks to address emerging issues</li> </ul>
Representation in 29 counties and 2 sub-Counties serving all regions in Kenya.	<ul style="list-style-type: none"> <li>• Facilitates outreach of programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen capacity at all levels</li> <li>• Building partnership and Strengthening coordination nationally.</li> </ul>
ICT infrastructure and supporting skills	<ul style="list-style-type: none"> <li>• Facilitates outreach of programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Embrace ICT in all activities.</li> </ul>
	<ul style="list-style-type: none"> <li>• Efficiency in service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous improvement on ICT skills and infrastructure upgrading</li> </ul>
<b>Weaknesses</b>	<b>Strategic Implication</b>	<b>Strategic Response</b>
Inadequate resources (finances, infrastructure, equipment, vehicles)	<ul style="list-style-type: none"> <li>• Hamper service delivery</li> <li>• Delay in project completion</li> <li>• Inhibit adequate Training</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby and mobilize for resources</li> <li>• Enhance partnership and collaboration</li> </ul>

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Low Staffing (low staff levels against approved staff establishment)	<ul style="list-style-type: none"> <li>• Poor service delivery</li> <li>• Poor succession management.</li> </ul>	<ul style="list-style-type: none"> <li>• Recruit more staff</li> </ul>
Poor Retention of technical staff	<ul style="list-style-type: none"> <li>• Poor service delivery</li> <li>• Poor knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>• Improve work environment.</li> </ul>
Lack of Specialized Skills in OSH disciplines	<ul style="list-style-type: none"> <li>• Gaps in implementation of OSH disciplines.</li> </ul>	<ul style="list-style-type: none"> <li>• Train Technical Staff in all OSH disciplines.</li> </ul>
Inadequate enforcement of reward and sanctions strategy	<ul style="list-style-type: none"> <li>• Low staff morale</li> </ul>	<ul style="list-style-type: none"> <li>• Revitalize reward and sanctions strategy</li> </ul>
Weak M&E framework	<ul style="list-style-type: none"> <li>• Inadequate evidence-based decision making</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen M&amp;E system</li> </ul>
Lack of alternative Dispute resolution (ADR) mechanism.	<ul style="list-style-type: none"> <li>• Prolonged disputes</li> </ul>	<ul style="list-style-type: none"> <li>• Developing ADR guidelines</li> </ul>
Inadequate Representation in all Counties	<ul style="list-style-type: none"> <li>• Poor service delivery</li> <li>• Inadequate recognition</li> </ul>	<ul style="list-style-type: none"> <li>• Representation in all Counties</li> </ul>
Employer liability-based scheme (Blame based)	<ul style="list-style-type: none"> <li>• Inadequate compensation</li> <li>• Prolonged settlement of claims by employers.</li> <li>• Delayed Resolution on litigation.</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of Social insurance-based scheme.</li> </ul>
Lack of Autonomy in decision making and Resource allocation.	<ul style="list-style-type: none"> <li>• Inadequate coverage of Counties</li> <li>• Poor resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation of DOSHS into an Authority</li> </ul>
Low visibility of the Directorate	<ul style="list-style-type: none"> <li>• Inadequate recognition</li> <li>• Inadequate support</li> <li>• Negative public image</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement Directorate's communication strategy</li> <li>• Enhance awareness of Directorate's programmes and activities</li> </ul>
Inadequate coverage on SMEs and Public Sector Organizations.	<ul style="list-style-type: none"> <li>• Poor Safety Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstreaming OSH in SMEs and Public Sector Organizations.</li> </ul>
Lack of policies addressing Mental Health and Non-Communicable Diseases (NCDs).	<ul style="list-style-type: none"> <li>• High prevalence</li> <li>• Lack of intervention mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of policy and guidelines on Mental Health and Non-Communicable Diseases (NCDs).</li> </ul>
<b>Opportunities</b>	<b>Strategic Implication</b>	<b>Strategic Response</b>
Declaration of Occupational Safety and Health as a Fundamental Principle and Right at work by the ILO.	<ul style="list-style-type: none"> <li>• Recognition and enhanced support in OSH programmes globally.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional collaboration with ILO and local Organizations.</li> </ul>
Prominence of mental health as a workplace problem internationally.	<ul style="list-style-type: none"> <li>• Increased awareness</li> <li>• Demand for interventions</li> <li>• Increased resource allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• Development and implementation of mental health &amp; NCDs programmes.</li> </ul>
Political good will	<ul style="list-style-type: none"> <li>• Recognition and enhanced support from government</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous advocacy</li> </ul>

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Support and collaboration from stakeholder and development partners	<ul style="list-style-type: none"> <li>• Complement government support</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance collaboration and networking</li> </ul>
Existence of National Digital Superhighway Plan	<ul style="list-style-type: none"> <li>• Improved efficiency and effectiveness of service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Develop, maintain and create awareness on e-programmes</li> </ul>
Emerging OSH issues	<ul style="list-style-type: none"> <li>• Develop new interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Development of policies and guidelines</li> </ul>
<b>Threats</b>	<b>Strategic Implication</b>	<b>Strategic Response</b>
Overlapping of mandate at both levels of Government and within MDAs	<ul style="list-style-type: none"> <li>• Competing priorities</li> <li>• Lack of accountability</li> <li>• Compromised service delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Create dialogue forum to lobby relevant arms of government to clarify and enforce mandates across ministries</li> <li>• Engagement with relevant arms of government to ensure due diligence</li> <li>• Enhance collaboration and support continuous engagement</li> </ul>
Inadequate Staffing Levels	Work overload	
Staff Stagnation		
Rapid growth of the informal sector.	<ul style="list-style-type: none"> <li>• Poor Safety Culture</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstreaming OSH in the informal sector.</li> </ul>

## **8. Corporate Governance Statement**

Corporate governance is the process by which institutions are directed, controlled and held to account.

### **Council meetings.**

The Council holds meetings at least four times a year. The Council members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. The Council has delegated day to day operations to the Director-DOSHS. The Accounting Officer has the responsibility for establishing and maintaining the institutions internal controls in financial, operational and compliance issues as well as implementing strategies for the long-term success of the institution.

### **Council committees**

The Council has four sub-committees, which regularly meet under the terms of reference set by the Council. They are:

- a) Agricultural committee
- b) Extractive and constructive committee
- c) Finance and legal committee
- d) Manufacturing and service committee

### **Appointment and removal of Council members**

Occupational Safety and Health Fund Council members are appointed by the Accounting Officer and later gazetted in Kenya gazette. The Council is composed of eleven members and three co-opted members. All the Council members are non-executive. The current Council is the third and was appointed by the Cabinet Secretary, Ministry for Labour on 20<sup>th</sup> September, 2019 and 17<sup>th</sup> January, 2020 and their term ends in 2022. The Council members can be removed from the office if they contravene chapter six of the constitution.

### **Roles and functions of the Council**

The National Council for Occupational Safety and Health (NACOSH) is a body established under the Occupational Safety and Health act,2007(OSHA,2007). The mandate of the Council is to advise the Cabinet Secretary responsible for labour on matters relating to the improvement of occupational safety and health and hence the quality of working life in Kenya including policies, legislations and strategies of promoting best practices in Occupational Safety and Health (OSH). It is also charged with the establishment, maintenance and development of safety and health preventive culture.

In addition, the OSH Fund regulations under the Public Finance Management Act gives NACOSH the mandate to approve expenditure of OSH Fund at the beginning of each financial year in accordance with the work planned budget prepared by DOSHS.

### **Remuneration of the Council**

The Council is not on a salary, because they are not full time employees, nevertheless their expenses are reimbursable and they are paid sitting allowance and any other allowances that are relevant to them according to Public Service and National Treasury Circulars.

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**Ethics and Conduct**

The Council members are committed to the need to conduct the operations of the institution with integrity and in accordance with generally accepted corporate practice and endorse the internationally developed principles of corporate governance. They also adhere to chapter six and twelve of the Kenyan Constitution.

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**9. Management Discussion and Analysis**

Management is guided by an Annual Work plan which outlines activities of the fund for the year under review. Performance indicators and expected outputs are clearly articulated and the OSH/individuals tasked with achieving the set objectives as outlined here below.

	<b>Activity</b>	<b>Performance Indicators</b>	<b>Expected Output</b>	<b>Actors</b>
1	Regional meetings with OSOs on evaluation and monitoring of work performance in 5 regions (Western/Nyanza, Central and Eastern, Coast and North Eastern, Rift valley and Nairobi.	Reports of meetings held in the five regions	Improve performance of officers and enhance compliance among workplaces	DOSHS
2	Meeting with all approved persons (Advisors, Auditors, AQM, DHPs, plant examiners, trainers) on the performance of their activities in the field.	Report of three meetings held.	Harmonized activities of the approved persons engaged by DOSHS	DOSHS, Approved persons
3	Preparation & Participation in regional and International Meetings	Reports from ILO, regional, congress, OSH Africa meetings	Representation of Kenya in international and regional meetings	DOSHS,ML
4	Special inspections, legal services, investigations of occupational accidents, diseases and dangerous occurrences, investigations of disputed WIBA claims, complaints, occupational medical surveillance & government directives	Number of reports	Investigation Reports, Actions against employers	DOSHS
4a	Workplace inspections and investigations of occupational accidents in the Counties	Number of Inspections and Investigation Reports	Inspections and Investigation Reports	DOSHS
5	Develop standard operating procedure for Hoist/Lift maintenance	TAC Report	Enhance best practice	DOSHS & Plant Examiners
	Development of COP on scaffolding, First Aid	Code of Practice developed	COP	
	Development of Code of Practice of Fire. Review of code of practice of Safety and Health Advisors.			
6	Operationalization of newly gazetted rules and regulations	Review of first aid curriculum	First aid curriculum reviewed	DOSHS
		Number of sensitization programmes	Reports on sensitization	
7	Occupational Safety and Health Act, Work Injury Compensation Act enacted and Occupational Safety and Health Practitioners Bill finalized.	Finalized Acts, bill	OSH Act, WIC Act, Final OSH Practitioners draft Bill	DOSHS, ML&SP, SDL, AG's, SCAC, Cabinet & Parliament
8	Review of Osh Fund regulations.	Finalized regulations, TAC reports	Reviewed OSH Fund Regulations	DOSHS

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	<b>Activity</b>	<b>Performance Indicators</b>	<b>Expected Output</b>	<b>Actors</b>
9	Registration of workplaces	No. of workplaces registered	Register maintained	
		Amount of revenue collected	Enhanced revenue collection	
	Development and maintenance of OshMIS	Data base maintenance	Data base maintained	
10	NACOSH and Committees activities implemented	Conducted NACOSH and Committee meetings	Meetings held. advisories presented to CS	DOSHS, SDL, NACOSH
		Developed COP on machinery safety	COP developed	
		High level meetings with policy makers	meetings reports	
		NACOSH members sensitized	More informed NACOSH members	
		Sectoral familiarization visits		
11	Donor Funded Project Internal Support	Reports of meetings with Donors	Meetings attended with Donors, Reports generated	DOSHS, WB, ILO & other DPs, NACOSH
12	Financial management of OSH Fund, GOK funding and procurement of goods and services enhanced.	Reports and plans of OSH Fund	Field Visits	DOSHS, SDL, NACOSH
		Govt allocation Procurement	Quarterly Reports prepared AIEs prepared	
		Monitoring of collection and absorption of funds	Procurement plans prepared	
			Preparation of Books of accounts	
13	Work environment improvement at DOSHS offices countrywide	OSH and fire safety audit	County offices audit reports prepared	DOSHS
		Reports, offices renovated, OSH committee reports	work environment in offices improved	
		Reports, offices renovated, OSH committee reports		
14	Development of social insurance work injury scheme	Draft scheme document, Reports of TACs	Social Insurance work Injury scheme	ILO

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	<b>Activity</b>	<b>Performance Indicators</b>	<b>Expected Output</b>	<b>Actors</b>
15	Research by the institute	Completion of the Research paper	Research paper published.	DOSHS
	and	Invitation of new research proposals for consideration		
	(b) undertake training impact surveillance	Report of training impact assessments	Training impact report	
16	Preparation for a course in OSH institute on working at heights and safety supervisors	Two courses to be launched and preparation of material done.	Certificates of competence issued	DOSHS
17	Train workers and employers in OSH including SMEs	No. of workers and employers trained	15,000 members of workplace OSH Committees, fire safety marshals, first aiders.	DOSHS
			Previous trainings assessed and report compiled.	
18	Capacity build DOSHS staff through trainings	No. of NACOSH members sensitized.	Officers Sensitized on GHRIS	DOSHS
	a. Capacity build NACOSH members on	No. of staff members sensitized.	NEBOSH trained officers	
	b. Induction and mentorship programme of new members of staff		2-week course in occupational hygiene	
			Prosecution and Accident Investigation Course	
			Plant and equipment maintenance and inspection courses at Kenya Railways Authority, BOSIET Certification course	
			Upgrading ICT Courses for ICT and other officers	
			Workshop for support staff	
			Course for security officers	
			Statistical analysis courses (Excel & SPSS/R) for officers	
19	Organize 2023 OSH Awards and the commemoration of the world day for safety and health at work	World Occupational Safety and Health day commemorated	Award categories in 5 sectors OSHOs Workshop OSH awareness campaign World day event held	

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	<b>Activity</b>	<b>Performance Indicators</b>	<b>Expected Output</b>	<b>Actors</b>
			Adverts and radio and TV talk shows through print, radio and television media made	
20	Promotion of DOSHS visibility	Awareness created on DOSHS programmes and activities carried out	Promotional material developed.  Awareness created.	DOSHS
21	Approval of competent persons /institutions	Coverage of OSH services improved through outsourcing	Certification of competent persons /institutions	DOSHS, Plant examination experts
22	Acquisition and Maintenance of DOSHS/ OSH Fund Assets	Fuel and lubricants	Vehicles Maintained	DOSHS & SDL
		Vehicle maintenance	Schedules and work tickets	
		Utility and Service reports	Water , Electricity,	DOSHS & SDL
			Internet, Telephone,	
			Postage, LPG Supplies Maintained	
		Stores Records, Assets Register and repair schedules	Generator	DOSHS & SDL
		No. of various PPEs purchased	PPEs ( Safety footwear, Reflective work cloth, Reflector jackets, Dust Coats, Helmet, Hazardous material gowns)	DOSHS & SDL
		No. of general supplies purchased	General office supplies	DOSHS & SDL
		No. of passenger lifts maintained	Passenger Lifts maintenance	DOSHS & SDL
		No. of water pumps maintained	Water Pumps maintenance	DOSHS & SDL
		No. of office furniture maintained	Office Furniture maintenance	DOSHS
		No. of plant and equipment maintained	Plant, equipment, computers, software & networks maintenance	DOSHS & SDL
		No. of equipment calibrated	Calibration of equipment	DOSHS

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	<b>Activity</b>	<b>Performance Indicators</b>	<b>Expected Output</b>	<b>Actors</b>
		No. of Plant and equipment purchased	Specialized equipment (Spirometer, Audio meter, NDT equipment)	DOSHS & SDL
		No. of the various items purchased	Desk Top Computers, Laptops, Printers, UPS purchased	DOSHS & SDL
		Vehicle purchased	Purchase of Motor Vehicles	DOSHS & SDL
		No. of furniture & fittings purchased	Purchase of furniture and fittings	DOSHS & SDL
23	BOHS (Basic Occupational Health Services)	No. of health facilities where BOHS is mainstreamed.	Sensitization of health care staff in public hospitals	DOSHS
		Reports on occupational diseases diagnosed in 6 level 5 hospitals		
24	Development of DOSHS Strategic Plan	Strategic plan developed	Strategic plan	DOSHS, MoL

## **10. Environmental and Sustainability Reporting**

The DOSHS has the mandate of entering, inspecting and examining workplaces, and every part thereof to ensure safety and health. DOSHS has responsibility of taking measurements and photographs and making such recordings as may necessary for the purposes of any examinations or investigation under the Occupational Safety and Health Act, 2007. It is also responsible for taking and removing samples of any articles or substances found at any place of work. It has responsibility of examining registers, certificates, notices and documents kept in pursuance of the Act and to inspect, examine and copy any of them. DOSHS also has responsibility of examining every person found in a workplace and require every such person to sign a declaration of the truth of the matters respecting which he is so examined. DOSHS has a responsibility of carrying out such medical examinations as may be necessary for the purposes of his duties under the Act.

### **a) Sustainability strategy and profile**

The Ministry of Labour and Social Protection and International Labour Organization (ILO) have a long history of partnership. In all the laws whose provisions the Ministry administers, there is a lot that has been borrowed from the ILO Conventions. Among the conventions, recommendations and protocols that relate to the pieces of legislation administered by the Ministry are:-

- Labour Inspection Convention No. 81 (1947).
- Labour Inspection Recommendation No. 81 (1947).
- ILO Protocol of 1995 to Convention 81
- Occupational Safety and Health Convention – C155 of 1981
- Occupational Safety and Health Services Convention – C161 of 1985
- Safety and Health in Construction Convention – C167 of 1988
- Promotional Framework for Occupational Safety and Health Convention, C187 of 2006
- Employment injury Benefits convention – C121 of 1964
- Violence and Harassment Convention – C190 of 2019,

to name just but a few.

ILO has been a partner in many other fronts geared towards ensuring that workplaces in the country endeavour to comply with International Labour Standards (ILS) and adopt Acceptable Conditions of Work (ACW). Compliance with international provisions has a ripple effect of yielding workplace compliance with national laws. In relation to the safety and health of workers, partnership with ILO embraces the adoption of occupational safety and health as a fundamental principle and right at work. The following has been achieved from the partnership;

- i. Technical officers from DOSHS benefited from training on capacity building.
- ii. The Ministry's inspectorate will soon benefit from establishment of an Electronic Case Management System (ECMS) which will go a long way in elevating to a digital platform in execution of Ministry's mandate.
- iii. A number of field work tools applied at workplaces were reviewed courtesy of this partnership. The reviewed tools include those for medical surveillance, assessment and

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- examination, safety inspections and examinations, Occupational hygiene measurements, workplace registration and injury compensation tools
- iv. 2 Acts namely Occupational Safety and Health Act, 2007 and Work Injury Benefits Act, 2007 are under review and ILO has been instrumental in input to the drafts.
  - v. Development of a labour inspection tool kit for use by labour and Occupational Safety & Health (OSH) officers.
  - vi. The following legislations subsidiary to the Occupational Safety and Health Act, 2007 were reviewed courtesy of ILO.
    - The Factories (Protection of Eyes) Rules, 1978 L.N. 44
    - The Factories (Docks) Rules 1962 L.N.306
    - The Factories (Woodworking Machinery) Rules 1959 L.N.431.

**b) Environmental performance /climate change/ mitigation of natural disasters**

The Directorate of Occupational Safety and Health Services ensures compliance with the Occupational Safety and Health Act 2007, and for processing injury compensation claims under the Work Injury Benefits Act 2007 (“WIBA”). Occupational Safety and Health is a work environment within the larger environment.

**c) Employee welfare**

The hiring of staff in the DOSHS has always been done at the Public Service Commission where regulations and guidelines of recruitment of public servants prevail. Public Service policies guiding the hiring process and whether the gender ratio, are applied. Improvement of skills and career management, appraisal, and reward system are applied for all members of staff in DOSHS. All technical officers in DOSHS are appointed with requirements provided for in section 26 of the Occupational Safety and Health Act, 2007 which require that the appointee must be a holder of a degree in science, medicine, engineering, chemistry, physics, biochemistry, nursing, zoology, computer science, occupational safety and health or industrial hygiene. Thereafter the appointee also known as the occupational safety and health officer will have his name published in the Gazette. DOSHS initiated the development of the National Occupational Safety and Health Policy in compliance with Occupational Safety and Health Act of 2007, (OSHA). Technical officer in DOSHS, being practitioners of occupational safety and health oversee compliance and form part thereof.

**d) Operational practices/Market place practices**

Business practices in DOSHS are maintained in accordance with the relevant laws relating to the business in question. Suppliers of DOSHS are responsibly treated and paid promptly by honouring contracts and respecting payment practices in accordance with the Public Procurement and Disposal Act.

**e) Community Engagements-**

The Directorate of Occupational safety and Health Services has on an annual basis taken its place in sensitizing workers and the general public on matters occupational safety and health during the World

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Day for Safety and Health at Work. This is achieved through forums in all media platforms. The DOSHS has also in the same period conducted occupational medical camps for persons working in the informal sector (MSMEs).

## **11. Report of the Council Members**

The Council members submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the OSH's affairs.

### **i) Principal activities**

The principle activities of the OSH are:

- To inspect workplaces to ensure compliance with occupational safety and health Act, 2007.
- Carrying out medical examinations and surveillance of workers' health.
- Approving architectural plans of buildings intended for use as workers.
- Disseminating information on OSH to employers, employees and other interested parties.
- To study and review policies and legislations of occupational health and safety
- To enforce the following legislations:
  - a) Occupational Safety and health Act, 2007 and its regulations.
  - b) Work Injury Benefits Act, 2007
    - To conduct research and technical analysis on issues related to occupational safety and health at the workplace.
    - To carryout promotional and publicity programs to employers, workers and general public to foster and increase the awareness of occupational safety and health.
    - To provide advisory service and information to government and private agencies pertaining to management and technical aspects of occupational safety and health.
    - To become secretariat for the national Council regarding occupational health and safety.

### **ii) Results**

The results of the OSH for the year ended June 30, 2023 are set in the lower pages.

### **iii) Council Members**

The members of the Council who served during the year are shown on the above pages. During the year, all members terms expired in December 2022 and one new member was gazetted in 2<sup>nd</sup> June 2023 and their term ends in June 2023. Seven more members were appointed in 14<sup>th</sup> July for a period of 3 years. Independent members have not been appointed.

### **iv) Auditors**

The Auditor General is responsible for the statutory audit of the Occupational Safety and Health Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 were nominated by the Auditor General to carry out the audit of the *OSH* for the year/period ended June

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30, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

Signed.....

**Dr. Musa Nyandusi (MBCHB, MMED)**  
**Secretary OSH**

## **12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 require the Directors to prepare financial statements in respect of that *OSH*, which give a true and fair view of the state of affairs of the *OSH* at the end of the financial year/period and the operating results of the *OSH* for that year/period. The Directors are also required to ensure that the *OSH* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *OSH*. The Directors are also responsible for safeguarding the assets of the *OSH*.

The Directors are responsible for the preparation and presentation of the *OSH's* financial statements, which give a true and fair view of the state of affairs of the *OSH* for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *OSH*; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the *DOSH*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the *OSH's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are of the opinion that the *OSH's* financial statements give a true and fair view of the state of *OSH's* transactions during the financial year ended June 30, 2023, and of the *OSH's* financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the *OSH*, which have been relied upon in the preparation of the *OSH's* financial statements as well as the adequacy of the systems of internal financial control.

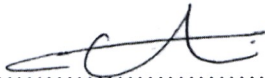
In preparing the financial statements, the Directors have assessed the *OSH's* ability to continue as a going concern and nothing has come to the attention of the Directors to indicate that the *OSH* will not remain a going concern for at least the next twelve months from the date of this statement.

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**Approval of the financial statements.**

The *OSH's* financial statements were approved by the Board on 20-12- 2023 and signed on its behalf by:

Signature.....

Eng. Charles Owelle

**Ag. Chairman, NACOSH**

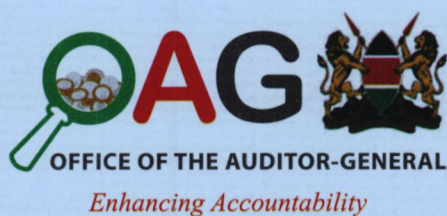
Signature.....

Dr. Musa Nyandusi (MBCHB, MMED)

**Secretary – OSH**

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## **REPORT OF THE AUDITOR-GENERAL ON OCCUPATIONAL SAFETY AND HEALTH FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **PREAMBLE**

I draw your attention to the contents of my report, which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Occupational Safety and Health Fund set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

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*Report of the Auditor-General on Occupational Safety and Health Fund for the year ended 30 June, 2023*

amounts for the year then ended 30 June, 2023 and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Occupational Safety and Health Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Occupational Safety and Health Act, 2007 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Occupational Safety and Health Fund Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAI) 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

## **Basis for Conclusion**

### **1. Risk Management and Governance**

Review of the Occupation and Safety Health Fund operations revealed the following weaknesses in risk management and overall governance:

#### **1.1 Failure to Implement an Automated Occupational Safety Health Management Information System**

The Management has not implemented an automated Occupational Safety Health Management Information System (OSHMIS), which would have enhanced data management, data analysis, and service delivery by the Fund.

#### **1.2 Failure to Review the Occupational Safety Health Act, 2007**

The Occupational Safety Health Act, 2007 has not been reviewed to reflect the current trends in safety and occupation. Further, the National Occupational Safety Health Policy (NAOSH) in operation, which was updated in 2012, does not include the emerging issues on safety and risk management.

#### **1.3 Failure to Review the Building Operational Works of Engineering Construction (BOWEC) Rules, 1984**

There is a need to review the Building Operational Works of Engineering Construction (BOWEC) Rules, 1984, which have been in use for the last thirty-five (35) years to reflect current Occupational Safety Health and emerging knowledge and industry experience.

#### **1.4 Lack of Autonomy**

The Directorate of Occupational Safety Health Services, which run the activities of the Fund, operates as a department of the State Department instead of being a Semi-Autonomous Government Agency, does not give autonomy, and requires regulatory independence and mandate to avoid overlaps at both levels of Government and within Ministries Departments and Agencies.

#### **1.5 Understaffing**

The Strategic Plan 2023-2028 for the Directorate has an approved staff establishment of 529 against the in-post of 226. This indicates an understaffing, which may hinder effective service delivery.

In the circumstances, the effectiveness of internal controls and overall governance of the Fund could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud

or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit

report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

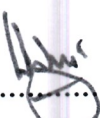
03 January, 2024

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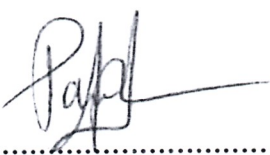
**14. Statement of Financial Performance for the year ended 30 June 2023**

	Note	2022-2023	2021-2022
Revenue from Non-Exchange Transactions		Kshs	Kshs
Licenses and Permits	6	138,512,864	117,527,029
Transfer from other government-grants	7	11,493,172	7,500,000
<b>Sub-Total</b>		<b>150,006,036</b>	<b>125,027,029</b>
<b>Expenses</b>			
Use of Goods & Services	8	111,156,535	127,478,367
Boards/Council expenses	9	16,712,670	13,931,944
Depreciation & Amortization	10	7,883,165	13,605,386
Repairs and Maintenance	11	1,309,322	10,597,104
Grants and other payments	12	5,126,400	0
<b>Total Expenses</b>		<b>142,188,092</b>	<b>165,612,801</b>
<b>Surplus (Deficit) for the Year</b>		<b>7,817,944</b>	<b>(40,585,772)</b>


The notes set out on pages 25 to 32 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

  
 .....  
**Dr. Musa Nyandusi**  
**Secretary-OSH**

**Date**  
 20-12-2023

  
 .....  
**CPA Paul O. Abade**  
**Head of Finance**  
**ICPAK M/No:28999**

**Date**  
 20-12-2023

  
 .....  
**Eng. Charles Owelle**  
**Ag. Chairman, NACOSH**

**Date**  
 20-12-2023

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**15 Statement of Financial Position as at 30 June 2023**

	Note	2022-2023	2021-2022
<b>Assets</b>		<b>Kshs</b>	<b>Kshs</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	14	23,184,833	21,662,237
<b>Total Current Assets</b>		<b>23,184,833</b>	<b>21,662,236</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	33,728,603	16,524,254
<b>Total Non-Current Assets</b>		<b>33,728,603</b>	<b>16,524,254</b>
<b>Total Assets</b>		<b>56,913,436</b>	<b>38,186,490</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	16	75,000	681,213
<b>Total Current Liabilities</b>		<b>75,000</b>	<b>681,213</b>
<b>Net Assets</b>			
Accumulated Surplus		49,838,436	30,505,277
Capital reserves		7,000,000	7,000,000
<b>Total Net Assets and Liabilities</b>		<b>56,913,436</b>	<b>38,186,490</b>

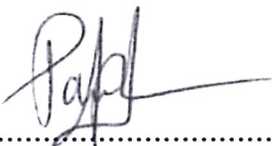
The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



.....  
**Dr. Musa Nyandusi**  
**Secretary-OSH**

Date

20-12-2023



.....  
**CPA Paul O. Abade**  
**Head of Finance**  
**ICPAK M/No:28999**

Date

20-12-2023



.....  
**Eng. Charles Owele**  
**Ag. Chairperson, NACOSH**

Date

20-12-2023

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**16. Statement of Changes in Net Assets for the year ended 30 June 2023**

	Capital Reserve	Retained earnings	Total
	Kshs	Kshs	Kshs
At July 1,2020	7,000,000	85,182,125	92,182,125
Surplus/deficit for the year		(14,091,076)	(14,091,076)
<b>Balance as at 30 June 2021</b>	<b>7,000,000</b>	<b>71,091,050</b>	<b>78,091,050</b>
At July 1,2021	7,000,000	71,091,050	78,091,050
Surplus/deficit for the year		(40,585,772)	(40,585,772)
<b>Balance as at 30 June 2022</b>	<b>7,000,000</b>	<b>30,505,278</b>	<b>37,505,278</b>
At July 1,2022	7,000,000	30,505,278	37,505,278
Surplus/deficit for the year		7,817,943.88	7,817,944
Prior Year adjustments (Note 18)		11,515,214	11,515,214
<b>Balance as at 30 June 2023</b>	<b>7,000,000</b>	<b>49,838,436</b>	<b>56,838,436</b>

*The restatement was made to rectify inaccuracies in the previously recorded depreciation and to address errors related to the write-off of assets purchased in prior years.*

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**17. Statement of Cash Flows for the year ended 30 June 2023**

		2022-2023 Kshs	2021-2022 Kshs
<b>Cash from Operating Activities</b>			
<b>Receipts</b>			
Licenses and Permits	6	138,512,864	117,527,029
Transfer from other government-grants	7	11,493,172	7,500,000
<b>Total Receipts</b>		<b>150,006,036</b>	<b>125,027,029</b>
<b>Payments</b>			
Use of Goods & Services	8(a)	111,762,748	127,558,567
Boards/Council expenses	9	16,712,670	13,931,944
Repairs and Maintenance	11	1,309,322	10,597,104
Grants and other payments	12	5,126,400	0
<b>Total payments</b>		<b>134,911,140</b>	<b>152,087,615</b>
<b>Net cashflow from Operating activities</b>		<b>15,094,896</b>	<b>(27,060,586)</b>
<b>CashFlow from Investing Activities</b>			
Acquisition of Assets	13	(13,572,300)	(21,040,910)
<b>Net CashFlow from Investing Activities</b>		<b>(13,572,300)</b>	<b>(21,040,910)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>1,522,596</b>	<b>(48,101,496)</b>
Cash and cash equivalents as at 1 July 2022		21,662,237	69,763,733
<b>Cash and cash equivalents as at 30 June 2023</b>	<b>14</b>	<b>23,184,833</b>	<b>21,662,237</b>

*(PSASB has now prescribed the direct method of cashflow presentation for all entities under the IPSAS Accrual basis of accounting).*

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Expected Revenue	140,000,000	-	140,000,000	138,512,864	1,487,136	99%
Expected Grants	20,000,000	-	20,000,000	11,493,172	8,506,828	57%
<b>Total Income</b>	<b>160,000,000</b>	-	<b>160,000,000</b>	<b>150,006,036</b>	<b>9,993,964</b>	<b>94%</b>
<b>Expenses</b>						
Use of Goods & Services	113,371,180	-	113,371,180	111,156,535	2,214,645	98%
Boards/Council expenses	16,712,670		16,712,670	16,712,670	0	100%
Repairs and Maintenance	1,309,322		1,309,322	1,309,322	0	100%
Grants and other payments	5,500,000		5,500,000	5,126,400	373,600	93%
<b>Total Expenditure</b>	<b>151,893,172</b>	-	<b>151,893,172</b>	<b>134,304,927</b>	<b>2,214,645</b>	<b>98%</b>
<b>Surplus for the Year</b>				<b>15,701,109</b>		
Acquisition of Assets	15,000,000	-	15,000,000	13,572,300	1,427,700	91%

**Budget notes**

Grants:

Transfers from SDL were received in full but Grants from other Agencies were not realised as expected. ILO financed one activity only.

Acquisition of Assets

The Computers purchased were of higher specifications than had earlier been budgeted for hence the high expenditure on the Acquisition of Assets.

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Surplus for the Year

The surplus differs from the Statement of performance due to Depreciation charge for the Year.

**Budget Reconciliation**

	Ksh
<b>Surplus as per the Statement of Financial Performance</b>	7,817,944.00
<b>Add</b>	
Non Cash items-Depreciation	7,883,165.00
<b>Surplus as per Statement of comparison of Budget and Actual performance</b>	<b>15,701,109.00</b>

## **19. Notes to the Financial Statements**

### **1. General Information**

DOSH is established by and derives its authority and accountability from Occupational Safety and Health Act, 2007. The OSH is wholly owned by the Government of Kenya and is domiciled in Kenya. The OSH's principal activity is:

- i.** Securing the development and coordination of a sound and effective Occupational Safety and Health (OSH) systems.
- ii.** Implementation of effective systems for prevention of occupational accidents and diseases.
- iii.** Carrying out research on Occupational Safety and Health.
- iv.** Development and dissemination of information on Occupational Safety and Health.
- v.** Promotion of awareness on Occupational Safety and Health among employers, employees and the general public.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *OSH's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *OSH*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an OSH’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an OSH’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42:</b> Social Benefits</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting OSH provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

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Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the OSH.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the OSH's financial performance, financial position and cash flows.</p>
<p>Amendments to  Other IPSAS  resulting from  IPSAS 41,  Financial  Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other  improvements to  IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

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**Notes to the Financial Statements (Continued)**

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an OSH.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

- iii. ***Early adoption of standards***

The OSH did not early – adopt any new or amended standards in the financial year or *the OSH adopted the following standards early (state the standards, reason for early adoption and impact on OSH’s financial statements.)*

**Notes to the financial statements (continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The *OSH* recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the *OSH* and the fair value of the asset can be measured reliably.

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *OSH* and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The *OSH* recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *OSH*.

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the *OSH*'s right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for the Current FY was approved by the National Assembly on xxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the *OSH* upon receiving the respective approvals in order to conclude the final budget.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Budget information (continued)**

The *OSH's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *OSH* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *OSH* and the same taxation authority.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

*Sales tax*

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 5-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the OSH recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *OSH*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *OSH* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *OSH* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *OSH*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

The *OSH* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *OSH* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one OSH and a financial liability or equity instrument of another OSH. At initial recognition, the OSH measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**a) Financial assets**

**Classification of financial assets**

The OSH classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the OSH's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an OSH has made irrevocable election at initial recognition for particular investments in equity instruments.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the OSH classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the OSH manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The OSH assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The OSH recognizes a loss allowance for such losses at each reporting date.

**b) Financial liabilities**

**Classification**

The OSH classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *OSH*.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**k) Provisions**

Provisions are recognized when the *OSH* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *OSH* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**l) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The *OSH* recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the *OSH* will incur in fulfilling the present obligations represented by the liability.

**m) Contingent liabilities**

The *OSH* does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

**n) Contingent assets**

The *OSH* does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the *OSH* in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**o) Nature and purpose of reserves**

The OSH creates and maintains reserves in terms of specific requirements.

**p) Changes in accounting policies and estimates**

The OSH recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**q) Employee benefits**

**Retirement benefit plans**

The *OSH* provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an OSH pays fixed contributions into a separate OSH (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**r) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**s) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**t) Related parties**

The *OSH* regards a related party as a person or an *OSH* with the ability to exert control individually or jointly, or to exercise significant influence over the *OSH*, or vice versa. Members of key management are regarded as related parties and comprise the Directors, the CEO and Senior Managers.

**u) Service concession arrangements**

The *OSH* analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *OSH* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *OSH* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**w) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the OSH's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The OSH based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the OSH. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the OSH.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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**Notes to the Financial Statements (Continued)**

**6. Licenses, Fees and Permits**

	Amount	Other Revenue	2022- 2023	2021- 2022
	Kshs	Kshs	Kshs	Kshs
<b>Jul-22</b>	8,165,241	279,001	8,444,242	7,707,094
<b>Aug-22</b>	7,642,362	740,100	8,382,462	7,242,165
<b>Sep-22</b>	10,118,400	429,505	10,547,905	11,157,374
<b>Oct-22</b>	10,390,302	639,724	11,030,026	8,944,084
<b>Nov-22</b>	9,654,139	439,087	10,093,226	10,910,170
<b>Dec-22</b>	8,993,867	360,072	9,353,939	7,526,247
<b>Jan-23</b>	9,386,598	440,158	9,826,756	11,018,811
<b>Feb-23</b>	10,270,775	675,127	10,945,902	11,854,846
<b>Mar-23</b>	11,755,899	899,710	12,655,609	11,351,523
<b>Apr-23</b>	6,696,850	729,063	7,425,913	6,920,975
<b>May-23</b>	13,032,674	1,475,490	14,508,164	12,770,226
<b>Jun-23</b>	18,422,081	6,876,639	25,298,720	10,123,514
	<b>124,529,188</b>	<b>13,983,676</b>	<b>138,512,864</b>	<b>117,527,029</b>

*(Provide brief explanation for this revenue)*

**7. Transfer from other government entities**

Description	2022- 2023	2021-2022
	Kshs	Kshs
Transfers from National Government - SD Labour	7,000,000	7,500,000
Grant from ILO	4,493,172	-
<b>Total</b>	<b>11,493,172</b>	<b>7,500,000</b>

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**Notes to the Financial Statements (Continued)**

**8. Use of Goods and Services**

Description	2022-2023	2021-2022
		Kshs
Electricity	752,495	864,501.00
Water		249,710.00
Bank charges	68,968	57,079.00
Advertising		3,956,280.00
Audit fees		-
Conferences and delegations	19,196,049	15,267,096.00
Consumables	13,254,910	9,284,650.00
Transfer of A.I.A to MLSS		4,909,600.00
Personal Protective Equipment's (PPE's)		123,450.00
Fuel and oil		1,546,500.00
Medical Supplies	1,162,500	2,994,574.00
Committee expenses		14,314,900.00
Daily subsistence allowance	38,645,117	42,492,551.00
Casuals		957,900.00
Data Analysis & Report Writing		-
Postage		259,450.00
Printing		523,600.00
Travel cost		9,911,660.00
Stationery	7,777,560	4,511,000.00
Training Expenses	12,844,230	14,977,630.00
Other operating expenses	15,053,466	
Strategic expenses	2,142,000	5,200.00
Communication	259,240	271,036.00
Consultancy services		-
<b>Total</b>	<b>111,156,535</b>	<b>127,478,367.00</b>

**8(a) Use of Goods and Services as paid in cash flows**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Total Use of Goods	111,156,535	127,478,367
Accrued Trade and other payables paid	606,213	80,200
<b>Total Use of Goods and Services as paid in Cash flows</b>	<b>111,762,748</b>	<b>127,558,567</b>

**9. Board Expenses**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Sitting Allowances		1,001,044
DSA		6,900,900
Travel and Accomodation	16,712,670	6,030,000
<b>TOTAL</b>	<b>16,712,670</b>	<b>13,931,944</b>

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**10. Depreciation and amortization expense**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Property, Plant & Equipment	7,883,165	13,605,386
<b>Total</b>	<b>7,883,165</b>	<b>13,605,386</b>

**11. Repairs and Maintenance**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Building and Machinery	0	8,170,617
Repair of equipment's	452,109	349,700
Motor vehicles	857,213	2,076,787
<b>Total</b>	<b>1,309,322</b>	<b>10,597,104</b>

**12. Other grants and payments**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Receipts from Administrative Fees and Charges - Collected as AIA	5,126,400	0
<b>TOTAL</b>	<b>5,126,400</b>	<b>0</b>

**13. Acquisition of asset/Purchase of specialized equipment**

Acquisition of Assets	2021- 2023	2021- 2022
	Kshs	Kshs
Purchase of Vehicles and Other Transport Equipment	5,144,800	5,840,000
Purchase of Office Furniture and General Equipment	4,439,500	15,200,910
Purchase of Computers	3,988,000	-
<b>TOTAL</b>	<b>13,572,300</b>	<b>21,040,910</b>

**14. Cash and Cash Equivalents**

Description	2022- 2023	2021- 2022
	Kshs	Kshs
Kenya Commercial Bank, 1130057321	23,184,833	21,662,237
<b>Total Cash and Cash Equivalents</b>	<b>23,184,833</b>	<b>21,662,237</b>

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**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	Insert Current FY	Insert Comparative FY
		Kshs	Kshs
<b>a) Current Account</b>			
Kenya Commercial Bank	1130057321	23,184,833	21,662,237
<b>Grand Total</b>		<b>23,184,833</b>	<b>21,662,237</b>

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**Notes to the Financial Statements (Continued)**

**15. Property, Plant and Equipment**

	Motor vehicles	Furniture and fittings	Computers	Office Equipment	Total
<b>RATES OF DEPRECIATION</b>	<b>25%</b>	<b>12.50%</b>	<b>33.30%</b>	<b>12.50%</b>	
Cost	KShs	KShs	KShs	KShs	KShs
At 1 July 2017	11,850,000	591,100	1,818,500	2,403,000	16,662,600
Additions	3,078,000	873,000	1,192,500	0	5,143,500
Disposals					
Transfers/adjustments					
At 30th June 2018	14,928,000	1,464,100	3,011,000	2,403,000	21,806,100
1st July 2018	14,928,000	1,464,100	3,011,000	2,403,000	21,806,100
Additions	0	0	2,818,400	0	2,818,400
Disposals					
Transfer/adjustments					
At 30th June 2019	14,928,000	1,464,100	5,829,400	2,403,000	24,624,500
1st July 2019	14,928,000	1,464,100	5,829,400	2,403,000	24,624,500
Additions	0	2,323,199	6,537,131	839,000	9,699,330
Disposals					
Transfer/adjustments					
At 30th June 2020	14,928,000	3,787,299	15,937,531	3,242,000	37,894,830
1st July 2020	14,928,000	3,787,299	15,937,531	3,242,000	37,894,830
Additions	0	3,798,500	6,567,050	2,999,990	13,365,540
Disposals					
Transfer/adjustments					
At 30th June 2021	14,928,000	7,585,799	22,504,581	6,241,990	51,260,370



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At 1 July 2020	11,936,625	848,673	8,416,369	1,043,547	22,245,214
Depreciation	769,500	948,225	7,489,200	780,249	9,987,174
Impairment					
Transfer/adjustment					
At 30th June 2021	12,706,125	1,796,898	15,905,569	1,823,796	32,232,388
At 1 July 2021	12,706,125	1,796,898	15,905,569	1,823,796	32,232,388
Depreciation	1,286,200	1,585,412	7,489,200.30	1,668,611	12,029,424
Impairment					0
Transfer/Adjustment					0
Accumulated as At 30th June 2022	13,992,325	3,382,311	23,394,770	3,492,407	44,261,812
At 1st July 2022	13,992,325	3,382,311	23,394,770	3,492,407	44,261,812
Depreciation	2,746,200	2,140,350	1,328,004	1,668,611	7,883,165
Impairment					
Transfer/Adjustment					
Accumulated At 30th June 2023	16,738,525	5,522,661	24,722,774	5,161,018	52,144,977
NBV as at 30th June 2022	6,775,675	9,300,988	2,106,321	9,856,483	28,039,468
NBV as at 30th June 2023	9,174,275	11,600,139	4,766,317	8,187,872	33,728,603

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**Notes to the Financial Statements (Continued)**

**16. Trade and Other Payables**

Description	Insert Current FY 22-23		Insert Comparative FY 21-22	
	Kshs		Kshs	
Audit fees (Accrued f/y 2018/2019/2020/2021)	75,000		300,000	
Retention (Downline Company Ltd)			381,213	
<b>Total trade and other payables</b>	<b>75,000</b>		<b>681,213</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	75,000	100%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	681,213	100%
<b>Total (tie to above total)</b>	<b>75,000</b>		<b>681,213</b>	

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**Notes To The Financial Statements (Continued)**

**17. Cash Generated from Operations**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Surplus for the Year</b>	<b>7,817,944</b>	<b>(40,585,772)</b>
<b>Adjusted for:</b>		
Depreciation	7,883,165	13,605,386
<b>Working Capital Adjustments</b>		
Increase in receivables	-	(150,000)
Decrease in payables	(606,213)	69,800
<b>Net cash flow from operating activities</b>	<b>15,094,896</b>	<b>(27,060,586)</b>

**18. Prior Year adjustments**

Description	2022-2023	2021-2022
	Kshs	Kshs
PPE Restatement	11,515,214	0
<b>Total Prior Year adjustment</b>	<b>11,515,214</b>	<b>0</b>

**Statement of Financial Position as at 30 June 2023**

	Note	2022-2023	Audited 2021-2022	Adjusted 2021-22	Change
		Kshs	Kshs	Kshs	Kshs
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	14	23,184,833	21,662,237	21,662,237	0
<b>Total Current Assets</b>		<b>23,184,833</b>	<b>21,662,236</b>	<b>21,662,236</b>	
<b>Non-Current Assets</b>					
Property, Plant and Equipment	15	33,728,603	16,524,254	28,039,468	11,515,214
<b>Total Non-Current Assets</b>		<b>37,189,642</b>	<b>16,524,254</b>	<b>28,039,468</b>	
<b>Total Assets</b>		<b>56,913,436</b>	<b>38,186,490</b>	<b>49,701,704</b>	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and Other Payables	16	75,000	681,213	681,213	0
<b>Net Assets</b>		<b>56,838,436</b>	<b>37,505,278</b>	<b>49,020,492</b>	
Accumulated Surplus		49,838,436	30,505,278	42,020,492	-11,515,214
Capital reserve		7,000,000	7,000,000	7,000,000	
<b>Total Net Assets and Liabilities</b>		<b>56,913,436</b>	<b>38,186,491</b>	<b>49,701,705</b>	<b>0</b>

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*The restatement was made to rectify inaccuracies in the previously recorded depreciation and to address errors related to the write-off of assets purchased in prior years.*

**19. Financial Risk Management**

The OSH's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The OSH's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The OSH does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The financial risk management objectives and policies are detailed below:

**i) Credit risk**

The OSH has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the OSH's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the OSH has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the OSH's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the OSH's directors, who have built an appropriate liquidity risk management framework for the management of the OSH's short, medium and long-term funding and liquidity management requirements. The OSH

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manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the OSH under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**Financial Risk Management**

**iii) Market risk**

The *OSH* has put in place an internal audit function to assist it in assessing the risk faced by the OSH on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the OSH's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The OSH's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the OSH's exposure to market risks or the way it manages and measures the risk.

**a) Foreign currency risk**

There are transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. OSH manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**b) Interest rate risk**

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Interest rate risk is the risk that the OSH's financial condition may be adversely affected as a result of changes in interest rate levels. The OSH's interest rate risk arises from bank deposits. This exposes the OSH to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the OSH's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Financial Risk Management**

**Sensitivity analysis**

The OSH analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs 438,648 (Current FY: Kshs 4,386,478). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs 657,972 (Current FY – Kshs 4,386,478)

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the OSH's market assumptions. These two types of inputs have created the following fair value hierarchy:

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- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *OSH* considers relevant and observable market prices in its valuations where possible.

**Financial Risk Management**

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) Capital Risk Management**

The objective of the *OSH*'s capital risk management is to safeguard the *OSH*'s ability to continue as a going concern. The *OSH* capital structure comprises of the following funds:

**20. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *OSH* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

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The Government of Kenya is the principal shareholder of the OSH, holding 100% of the OSH's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the OSH, both domestic and external.

**Other related parties include:**

- i) The National Government.
- ii) The Parent Ministry (Ministry of Labour & Social Protection, State Department for Labour & Skills Development))

**21. Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**22. Ultimate And Holding OSH**

The OSH is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Labour and Social Protection. Its ultimate parent is the Government of Kenya.

**23. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**20. Appendices**

**Appendix 1: Implementation Status of Auditor-General's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Accrued Audit Fees- Unpaid	OAG Invoiced DOSH and it was paid	Resolved	
2.	Variance in Comparative Balance - Specialized Plant and Equipment	Narration of acquisition of new assets was wrong.	Resolved	

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 Secretary OSH

Sign:

Date: 20-12-2023

**APPENDIX 2: TRANSFERS FROM SDL AND GRANT FROM ILO**

DATE	CASHBOOK V.N	AMOUNT	
7-Jul-22	6	4,493,172.00	GRANT FROM ILO
8-Jul-22	8	1,500,000.00	TRANSFER FROM NATIONAL GOVERNMENT -SD LABOUR
6-Oct-22	80	750,000.00	TRANSFER FROM NATIONAL GOVERNMENT -SD LABOUR
2-Dec-22	130	2,250,000.00	TRANSFER FROM NATIONAL GOVERNMENT -SD LABOUR
9-Jun-23	290	2,500,000.00	TRANSFER FROM NATIONAL GOVERNMENT -SD LABOUR
<b>TOTAL</b>		<b>11,493,172.00</b>	

